

Down Payment and Closing Cost Assistance

Presented By: Tom Thull, Federal Home Loan
Bank Topeka

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OCAH Affordable Housing Conference
Plan.Build.House.



Presenting Sponsor



Bank Act – Affordable Housing Program (AHP)

The Bank Act requires:

- Each FHLBank to annually contribute 10 percent of its net earnings to AHP
- AHP shall finance
 - Homeownership for families with incomes at or below 80 percent of the area median income (AMI); or
 - Purchase, construction, or rehabilitation of rental housing in which at least 20 percent of the units are affordable for and occupied by very low-income households

Housing and Community Development (HCD)

➤ HCD Overview

- The Housing and Community Development Department (HCD) administers the Bank's grant and community investment advance programs and Community Support Statement (CSS) process.
 - Grant programs include: Affordable Housing Program (AHP) Competitive and Homeownership Set-aside Program (HSP)
 - Advance programs include: Community Development Program (CDP) and Community Housing Program (CHP)
 - CSS includes: bi-annual member submission of CSS statement

Homeownership Set-aside Program (HSP)

Provides down payment, closing cost and rehabilitation assistance to first-time homebuyers earning at or below 80% of the Area Median Income (AMI) for households purchasing or constructing homes in Colorado, Kansas, Nebraska or Oklahoma.

Grant with a 5 year retention period.

A partnership with FHLBank members.



HSP - Basics for 2018

- **Accessed by FHLBank members via HSP Online**
- **\$7.8 million available**
- **Up to \$5,000 per household**
- **Member limit of \$25,000 per month; limit was increased to \$50,000 per month on July 2, 2018 (limit is not an allocation)**
- **Grant funds are provided by member at closing; member is reimbursed by FHLBank after approval of disbursement request**

HSP – Minimum Eligibility Requirements

- **First-time Homebuyer**
- ***Income***—household income must be at or below 80% AMI
 - Household includes all persons living in the house.
 - All income earned by occupants age 18 and over is included
- Households requiring non-occupying co-borrowers and co-owners are not eligible.
- **Minimum Down Payment - \$500**
- ***Homebuyer Education Requirement***
- ***Cash back at closing cannot exceed \$250***

First-time Homebuyer

As defined in 2018 AHP Implementation Plan

At least one household member, not a minor child, who does not own and is not an investor in another residence, and who wishes to purchase a home that will be his/her primary residence. In addition, the homebuyer must meet any one of the following criteria:

- Have had no ownership in a residence during the prior three-year period ending on the date of purchase of the property;
- Is divorced but has only owned a residence with a former spouse;
- Have only owned a residence not permanently affixed to a permanent foundation in accordance with applicable Regulations;
- Has only owned a property that was not in compliance with State, local or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure; or
- Is a household displaced as a result of a Federally Declared Disaster (as designated by FEMA) within 24 months of the reservation date

Know the homebuyer's property

- **Purchase of a residence in Colorado, Kansas, Nebraska, Oklahoma**
- **If the purchase includes rehabilitation**
 - **Eligible Rehabilitation/Repair Costs - AHP subsidy may be used to pay for rehabilitation including, but not limited to: accessibility, roof, electrical, plumbing, sewer, mechanical, foundation or other structural, windows, doors, floor coverings, wall repair, paint, or hazardous material remediation**
 - **Ineligible Rehabilitation/Repair Costs – AHP subsidy cannot be used to pay for rehabilitation (unless specified above) including, but not limited to: construction/repairs of a detached garage or outbuilding, payments directly to the household for repair labor, luxury items (i.e. landscaping, hot tubs, swimming pools)**
- **The property can be a house, condominium, cooperative housing unit, or manufactured housing to be used as the household's primary residence**
- **A reservation is made for a specific homebuyer and a specific property address. If the sale does not occur, the reservation is withdrawn. Reservations are not transferred to other homebuyers or to other property**

HSP Funding Process Overview

- **Homebuyer Education by approved providers—
see HSP website**
- **Reservation and Income Review process may take
up to 10 business days**
- **Closing can occur only after the member has been
notified that income has been approved and funds
have been reserved**
- **Disbursement Request**

➤ Critical Dates

- **Start**

- **January 1— Members submit Registration Agreements (how members register to participate in HSP)**
- **March 5— Members submit Reservations and Income Calculation Worksheet and income docs**

- **Finish**

- **November 30—last day for Members to submit Reservations**
- **Disbursement requests must be submitted by the member to FHLBank within 90 days of reservation approval**

➤ Challenges

- **Oversubscribed**
- **Access to member partner**
- **Income calculations**
- **Expand utilization in Oklahoma**

➤ Resources

- **Website:** www.fhlbtopeka.com/hsp
- **HSP tutorial videos available at:**
<https://www.fhlbtopeka.com/community-programs-grant-programs-homeownership-set-aside-program-training>
 - Overview
 - Income Calculations
- **2018 AHP Implementation Plan**
- **Mortgage Revenue Bond and HUD Income Limits**
- **Tutorials available on YouTube**
- **AHP Staff**
 - Mike Borchert, Manager – mike.borchert@fhlbtopeka.com or 785.478.8057
 - Jessica Puvogel, HCD Coordinator, HSP – jessica.puvogel@fhlbtopeka.com or 785.478.8064
- **Or call HCD's toll free number: 866.571.8155**